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The *Inflation* Reduction Act

A timeline of what Medicare beneficiaries can expect to see

After months of debate and numerous changes, the Inflation Reduction Act (IRA) was passed by the Senate and House and subsequently signed into law on August 16, 2022, by President Joe Biden. Though this new legislation covers various issues, Medicare beneficiaries will see the most dramatic impact from the new law regarding prescription drug price reform.

The IRA aims to make prescription drugs more affordable to the nation's nearly 50 million Medicare Part D beneficiaries. The legislation includes provisions that will cap costs on Part D plans, allow negotiated pricing for costly medications, provide full coverage on Part D vaccines, and more.

Here is a timeline of Medicare Part D changes that beneficiaries can expect through 2026 from the Inflation Reduction Act.

Changes in 2023

Insulin copay cap

First up is the $35 copay cap on monthly insulin costs for Medicare beneficiaries.

In 2021, the Senior Savings Program was rolled out and prohibited participating drug plans from charging more than a $35 copay for specific insulin. This program did not require all plans to comply.

As of January 1, 2023, **Part D and Medicare Advantage plans (with built-in drug coverage) must cap covered insulin at $35 per month.**

Vaccines covered

Traditional Medicare Part B covers certain vaccinations such as pneumonia, flu, Covid-19, and Hepatitis B. This coverage has overlooked essential vaccines such as the shingles vaccine. Many seniors are stunned to learn they must pay for certain vaccines like this one, in full or in part, through their Part D plan.

Effective at the start of 2023, **all adult vaccines recommended by the Advisory Committee on Immunization Practices (ACIP), including the shingles vaccine, are covered at 100%** through Medicare Part D plans.

Changes in 2024

Catastrophic Phase savings

Medicare Part D is comprised of four complex and often expensive phases in which the beneficiary and plan are responsible for varying costs. The Inflation Reduction Act (IRA) has overhauled the fourth phase, known as the Catastrophic Phase of Medicare Part D.

Until 2024, beneficiaries had to pay 5% of the cost of their drugs for the remainder of the calendar year after hitting the Catastrophic Phase. This was an exceptional financial relief but still left high annual costs for many Medicare beneficiaries.

As of 2024, **the IRA legislation eliminated all cost-sharing in the Catastrophic Phase of Medicare.** Seniors will no longer have to pay any coinsurance or copayments during the Catastrophic Phase.

Premium stabilization

Part D plan premiums now have a cap on annual increases. **Between 2024 and 2029, Medicare Part D premiums cannot increase more than 6% annually.**

This legislation also includes language intended to stabilize annual increases in 2030 and beyond. The stabilization will help protect Medicare beneficiaries from overinflated premiums from private insurance carriers.

Changes in 2024

Low-income subsidy

As of 2024, there is an expansion of the Low-Income Subsidy (LIS) program. Before 2024, eligibility for this program began for those at 135% of the federal poverty level. Now, **eligibility will start at 150% of the federal poverty level.**

This change provides financial relief to lower-income seniors when paying for prescription drugs.

Changes in 2025 (now in effect)

Annual out-of-pocket limit for Part D

Beginning in 2025, Medicare introduced a hard cap on prescription drug out-of-pocket spending under Part D. The initial limit was $2,000, and The Centers for Medicare & Medicaid Services (CMS) has now updated the amount for 2026.

For 2026, the annual Part D out-of-pocket cap is $2,100, per CMS guidance.

Beneficiaries may also continue to use the "smoothing" program, which allows costs to be spread over the plan year.

Drug Price Negotiation – Phase 1

The first phase of Medicare's Drug Price Negotiation program launched in 2025.

CMS identified the first 15 high-spend Part D drugs for negotiation, with negotiated maximum prices scheduled to take effect in 2027.

Changes in 2026

Additions to drug price negotiation

In 2026, Health and Human Services (HHS) is expanding Medicare's Drug Price Negotiation program beyond the initial group of drugs selected in 2025. This year, HHS is continuing negotiations for additional eligible drugs. The list of eligible products includes 50 high-expenditure Part D drugs and 50 high-expenditure Part B drugs, based on spending during the most recent 12-month period.

To qualify, drugs must meet criteria such as being high-priced, single-source medications, including biologicals and biosimilars.

The negotiated drug price comes in four phases:

Phase	Drugs to be negotiated	Effective
1	10 Medicare Part D drugs	2026
2	15 Part D drugs	2027
3	15 Medicare Part D or Part B drugs	2028
4	20 Part B and Part D drugs	2029

The Secretary of Health and Human Services can negotiate 20 drugs each year.

Though these changes do not take effect until 2026, the ability of HHS to negotiate the prices of these drugs will have a longstanding impact on seniors.

Summary

Medicare Part D is unquestionably complex and full of ever-changing nuances. That said, the prescription drug savings that the Inflation Reduction Act legislation provides will help make Part D more accessible and affordable for Medicare beneficiaries across the United States.

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